

Message Text

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ACTION NEA-12

INFO OCT-01 ARA-16 EUR-25 EA-11 IO-14 ISO-00 SPC-03 AID-20

EB-11 NSC-07 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08

OMB-01 CEA-02 CIAE-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15

DRC-01 /219 W

----- 024756

R 270801Z MAR 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1410

INFO AMEMBSSY BEIRUT

AMEMBASSY BRUSSELS

AMEMBASSY BONN

USMISSION GENEVA

AMEMBASSY DOHA BY POUCH

AMEMBASSY ISLAMABAD

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT BY POUCH

AMEMBASSY PARIS

AMEMBASSY RIO DE JANEIRO

AMEMBASSY SINGAPORE

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

USDOC WASHDC

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DEPT PASS TREASURY; PARIS FOR OECD

EO 11652: NA (DECON MARCH 25, 1975)

TAGS: EFIN, TC

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SUBJ: ABU DHABI INVESTMENT NOTES

1. IN RECENT CONVERSATION WITH DIRECTOR OF FINANCE OF ABU DHABI, FOLLOWING INFO ON CLOSELY-HELD SUBJECT OF ABU DHABI INVESTMENTS OBTAINED.

2. IN GENERAL, ADG SEES INVESTMENT IN PROPERTY AS PREFERRABLE AT PRESENT. CONSEQUENTLY, ADG INVESTIGATING, THROUGH ITS LONDON-BASED INVESTMENT BOARD, REAL ESTATE OPPORTUNITIES IN MANY PARTS OF WORLD. SOURCE STATED ADG HAD RECENTLY PURCHASED OFFICE BUILDING IN U.K. AND HAS DECIDED OR IS NEGOTIATING REAL ESTATE PURCHASE IN PARIS, BRUSSELS, SAN PALO, AND SINGAPORE. DIRECTOR SAID ADG BIT HESITANT RE PROPERTY PURCHASES IN U.S. BECAUSE UNFAMILIARITY WITH MARKET, FACT MOST U.S. URBAN AREAS ALREADY HIGHLY DEVELOPED, AND RATE OF RETURN ON COMMERCIAL BUILDINGS WHICH BELIEVED BE SOMEWHAT LOWER THAN IN EUROPE AND ELSEWHERE. RECENTLY, HOWEVER, ADG HAD DECIDED ON RECOMMENDATION MORGAN GUARANTY REP ON INVESTMENT BOARD BUY DOLS 3 RPT 3 MILLION WORTH SHARES IN U.S. FIRM, CORPORATE PROPERTY INVESTMENTS.

3. FINANCE DEPT, BELIEVXE APPROX FIVE PERCENT OF ADG INVESTMENTS SHOULD BE HELD IN GOLD OR GOLD SHARES. PRESENT INCLINATION IS HOLD SHORT-TERM CURRENCY IN US DOLLARS AND LONG-TERM ASSETS IN EURO DOLLARS, PRIMARILY IN FRANCE, GERMANY AND SWITZERLAND. ON OTHER INVESTMENTS, DIRECTOR REPORTED THAT INVESTMENTS IN JAPANESE YEN (THOUGHT TO BE LIMITED) HAD DONE BADLY OVER LAST YEAR. ON TOTAL MUTUAL FUNDS HELD DURING 1973, ADG LOST AVERAGE OF 8.7 RPT 8.7 PERCENT. SOURCE ALSO SAID ADG CONTINUING ENTER U.S. STOCKMARKET WHICH CONSIDERED GOOD INVESTMENT. EMB HAS NO INDICATION MAGNITUDE ADG PURCHASES WHICH HAVE APPARENTLY CONTINUED OVER NUMBER MONTHS SINCE EARLY FALL 1973. ON ONE OCCASION SEVERAL MONTHS AGO, HOWEVER, EMBASSY HEARD RUMOR THAT DOLS 18 RPT 18 MILLION WAS AMOUNT ONE INTERVENTION IN MARKET.

4. INVESTMENT POLICY REMAINS EXTREMELY DIFFICULT SUBJECT ON WHICH OBTAIN HARD INFORMATION. COMPLETE PICTURE, INsofar AS POSSIBLE, MUST BE PUT TOGETHER ON BASIS BITS AND PIECES GATHERED OVER LENGTHY PERIOD.

EMBASSY BELIEVES SOURCE INFO THIS MESSAGE RELIABLE AND THAT THIS INFO BEST WE LIKELY GET IN NEAR TERM. ONE POINT TO BE KEPT IN MIND IS LIMITED OFFICIAL USE

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THAT,
AT PRESENT MOMENT, SUMS AVAILABLE TO ADG FOR INVESTMENT MORE LIMITED THAN MIGHT BE EXPECTED FROM PROJECTIONS OF OIL REVENUES. IN PART THIS DUE RELATIVELY LATE START ABU DHABI IN OIL PRODUCTION WHEN COMPARED SAUDI ARABIA, KUWAIT, OR EVEN QATAR. ALSO, IT RESULTS FROM CONSIDERABLE INTERNAL DEVELOPMENT NEEDS AND EXTERNAL FINANCIAL COMMITMENTS. AS ADDITIONAL FUNDS ARE FREED FOR INVESTMENT IT WILL PROBABLY

BECOME MORE DIFFICULT FOR LOCAL AUTHORITIES PLAY SO CLOSE TO CHEST.
WOULD APPRECIATE ANY INFO ADDRESSEES MAY UNCOVER RE ABU DHABI INVEST-
MENT THEIR COUNTRIES IN PARTICULAR AND INVESTMENT POLICY GENERALLY.

5. SUBSEQUENT TO DRAFTING ABOVE, CHARGE DISCUSSED SUBJECT
OF ADG INVESTMENTS IN GENERAL WAY WITH MIN STATE FOR FINANCIAL
AFFAIRS HABBROUSH, WHO IS IMMEDIATE SUPERIOR OF SOURCE
THIS REPORT. HABBROUSH DESCRIBED ADG INVESTMENT POLICY AS
VERY CONSERVATIVE. IT MUST REMAIN SO, HE EMPHASIZED, UNTIL
COUNTRY HAS ACCUMULATED SIZEABLE RESERVE BASE AND CAN DEVELOP
GOVERNMENTAL AND FINANCIAL INSTITUTIONS TO COPE WITH RECEIVING AND
DISBURSEMENT OF LARGE AMOUNT OF FUNDS. HABBROUSH REITERATED COMMENTS
OF HIS DEPUTY THAT ADG LOOKING INCREASINGLY TO DOLLAR INVESTMENTS,
IN LAND, STOCKS, AND BUSINESS OPPORTUNITIES. HABBROUSH
VERY LAUDATORY OF ADVICE GIVEN ADG BY MORGAN GUARANTY
REP, LONGSTREET HINTON, ON INVESTMENT BOARD.

6. COMMENT: IN FUTURE WE BELIEVE ONE OF BEST SOURCES FOR
RELIABLE INFO ON AD/UAEG INVESTMENTS, ESPECIALLY
IN DOLLAR INSTRUMENTS, WILL BE AMERICAN BANKS OPERATING
IN UAE OR SHARING IN INVESTMENT PORTFOLIO. WITH LIMITED
EXCEPTIONS, AMERICAN BANKS HAVE NOT BEEN VERY FORTHCOMING
WITH DEPT OR AREA POSTS ON THIS
ADMITTEDLY VERY SENSITIVE
SUBJECT.
GRIFFIN

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